

Internal Water Management Agreement

Recitals:

1. This is a one-year solution to the dispute so the Landowners - Water Users can better manage the remainder of the calendar year. This Agreement does not control or affect any transfers of water or water rights outside the IID.

2. All parties recognize that this management solution is necessitated because of the immediate requirements imposed upon IID by the United States Department of the Interior with its water order of December 27, 2003 as modified by the decision of Judge Whelan dated March 18, 2003.

3. The Landowners - Water Users of the Imperial Valley believe they are most capable of maximizing the efficiency of their water internally and are hereby exercising their rights under Water Code section 22250 and 22251.

NOW THEREFORE THE PARTIES HERETO AGREE AS FOLLOWS:

A>A Committee consisting of John Hawk, Joe Tagg, Tom Brundy, Larry Cox, Jim Kuhn, Jon Vessey, John Veysey, Alex Jack, Walter Holtz, Clifford Strahm, and Josh Meyer shall immediately be established. (Hereinafter referred to as Committee)

B>The Committee shall develop a Gate Allocation system and Water Management House, providing the following:

1. The Water Management House will develop Rules following these general principles:
 - a. Non-profit
 - b. Historic use of water by individual Farming Units.
 - c. First Come-First Serve
 - d. Beneficial use of all water
2. All land currently paying water availability charges shall be made into Farming Units.
3. The Farming Unit shall be Farmer-created with the consent of the Landowner, by signing the water card.

4. Create an Intra-District Water Management House based on the availability of water for remainder of 2003 as of [implementation date] and notify each Farming Unit of its water allocation for the rest of the calendar year.
5. All water shall be allocated to each Farming Unit pursuant to Water Code 22250 (Straight-line allocation), consistent with the quantity of water available.
6. On or before September 5, 2003, each Farming Unit receiving an allocation shall advise the Intra-District Water Management House what percentage of its allocation it intends to use. Once the Farming Unit makes that notification it will be responsible to IID to purchase that amount of water.
7. In the event the Farming Unit chooses not to use its full allocation on its Farming Unit, the water allocation not used will be turned over to the Water Management House and the Water Management House will re-allocate the water based on the rules of the Water Management House.
8. The structure and cost of operating the Water Management House will be determined after negotiation between IID and the Committee

C>The Domestic and Industrial users will continue to have the same water available to them and as much water as they may need for their continued growth and development.

D>This Agreement will be for the remainder of the calendar year.